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THE WASHINGTON POST

Reagan, de la Madrid, To Discuss Money Woes

By Joanne Omang
Washington Post Staff Writer

Mexico's desperate financial situation will be a topic for discussion when President Reagan sees Mexican President-elect Miguel de la Madrid Friday, but no concrete results are expected to emerge from the meeting.

Instead, the informal talks are likely to be mutually exploratory, according to diplomatic and administration sources, with the leaders each seeking to learn what the other wants.

Reagan will interrupt a western campaign and vacation trip to meet de la Madrid in Tijuana, and the two will cross the border later to continue their talk in San Diego.

Mexico needs to raise about \$8.3 billion over the next year to cover the gap between its likely income and the interest payments on an overheated decade's worth of international loans. The country has halted payments on the principal, which totals \$75 billion, the largest debt of any developing nation.

American bankers are particularly nervous because \$25 billion of that debt is owed to them and 90 percent of the total debt is in dollars. A Mexican default would rock the world financial system, but so much is at stake that a default is highly unlikely.

Instead, Mexico's president, Jose Lopez Portillo, apparently is on the verge of signing a \$3.92 billion three-year loan agreement with the International Monetary Fund, swallowing the nationalistic pride that has blocked resort to the IMF in the past.

A council of major bank executives is working to come up with the rest of the immediate transfusion Mexico needs, and de la Madrid is assumed to be hopeful that Washington will contribute to it somehow.

On this side of the Rio Grande, administration sources said, Washington would like Mexico to moderate its leftward rhetoric in international forums and to take a more conciliatory tone toward U.S. policy in El Salvador and Nicaragua.

There is also pressure from Reagan's right to get Mexico to unfreeze about \$12 billion in American money in Mexican bank accounts, about \$5 billion of which belongs to U.S. citizens and corporations.

But none of this is on the formal

agenda. De la Madrid, 47, does not take office until Dec. 1 and, although he is known to have political differences with Lopez Portillo, whom he served as budget director, he cannot under Mexican tradition make any policy declarations or launch any initiatives now.

Mexico's ruling Institutional Revolutionary Party has no real ideology, but has held power since 1929 as a shifting coalition of interest groups, particularly the labor unions it rewarded with a spectrum of economic subsidies.

With its stiff hierarchy, nearly unlimited power and tradition of party loyalty and service, the party often has talked a much more strident line than its leaders wind up taking in times of crisis.

De la Madrid, known as an affable, cool-headed planner, is likely to face rising unrest at home from the belt-tightening conditions the IMF is certain to attach to its loan, and he is thought to be more interested than Lopez Portillo in smoothing relations with Washington.

For his part, Reagan cannot broach any possible exchange of favors without appearing to be trying to take advantage of Mexico's troubles, administration sources indicated. So he has been well briefed and is expected to offer informed commentary to Madrid's description of the situation.

The Reagan administration has already taken what one financial analyst said were all the short-term steps possible in trying to help Mexico out of its bind, paying for \$1 billion worth of Mexican oil a year in advance and providing another \$1 billion in cheap credits for agricultural purchases in the United States. Washington also helped engineer a \$1.85 billion credit package from the Bank for International Settlements.

Any further big money would have to involve Congress, either through foreign aid appropriations, which are always controversial, or legislation to change trade and tariff arrangements, not easy either.

"The talks are certainly likely to explore what Mexico can expect from the United States . . . , but the main purpose is for the two presidents to establish a personal relationship," said Manuel Alonzo, de la Madrid's press secretary, in a telephone conversation from Mexico City.